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(Stock Exchange Code 4477)  
March 4, 2021

To Shareholders with Voting Rights:

Yuta Tsuruoka  
Representative Director and CEO  
BASE, Inc.  
37F, Sumitomo Real Estate Roppongi Grand Tower  
3-2-1 Roppongi, Minato-ku, Tokyo

## NOTICE OF THE 8TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

We would like to express our appreciation for your continued support and patronage.

You are cordially notified that the 8th Annual General Meeting of Shareholders of BASE, Inc. (the “Company”) will be held for the purposes as described below.

In order to prevent the spread of COVID-19 and protect the health of shareholders, you are kindly requested to refrain from coming to the venue of the meeting. The Company will limit the number of shareholders who can attend the meeting to 30 on a first-come, first-served basis.

You can exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders, and indicate “for” or “against” the proposals on the enclosed Voting Rights Exercise Form and mail the Form back to the Company for receipt, or exercise your voting rights via the Internet upon reading the “Guide for Exercising Voting Rights via the Internet” (page 3) by 7 p.m. Japan time on Wednesday, March 24, 2021.

Please refer to the enclosed leaflet for the details of the operation of the General Meeting of Shareholders under the COVID-19 pandemic.

1. Date and Time: Thursday, March 25, 2021 at 10:30 a.m. Japan time (reception will open at 10:00 a.m.)
2. Place: Room A+B, Bellesalle Roppongi Grand Conference Center located at 9F, Sumitomo Real Estate Roppongi Grand Tower, 3-2-1 Roppongi, Minato-ku, Tokyo
3. Meeting Agenda:
  1. Matters to be reported:
    1. The Business Report, Consolidated Financial Statements for the Company’s 8th Fiscal Year (January 1, 2020 - December 31, 2020) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Auditors
    2. Non-consolidated Financial Statements for the Company’s 8th Fiscal Year (January 1, 2020 - December 31, 2020)
  2. Proposals to be resolved:
    - Proposal 1: Partial Amendment to the Articles of Incorporation
    - Proposal 2: Election of 4 Directors
    - Proposal 3: Election of 1 Substitute Auditor
    - Proposal 4: Revision of Amount of Compensation for Directors
    - Proposal 5: Determination of Compensation for Granting Restricted Stock to Directors

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- \* When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception.
  - \* Any revisions to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Non-consolidated and Consolidated Financial Statements will be posted on the Company's website in Japanese (<https://www.binc.jp/ir/meeting>).
  - \* "Matters Concerning Share Acquisition Rights, etc. of the Company," "System to Ensure the Adequacy of Businesses and the Operation Status of Such System," "Consolidated Statement of Changes in Equity," "Notes to Consolidated Financial Statements," "Non-consolidated Statement of Changes in Equity" and "Notes to Non-consolidated Financial Statements" of the documents that should be provided along with this Notice are posted on the Company's website (<https://www.binc.jp/en/ir/meeting>) in accordance with provisions of laws and regulations as well as Article 15 of the Company's Articles of Incorporation and therefore are not included in the appendix of this Notice.

## **Guide for Exercising Voting Rights via the Internet**

Please note the following when exercising your voting rights via the Internet.

1. For the exercise of voting rights via the Internet, please access the website for exercising voting rights (<https://evote.tr.mufg.jp/>) designated by the Company from a personal computer, a smartphone or a mobile phone. The website will be unavailable from 2 a.m. to 5 a.m. everyday.
2. Please exercise your voting rights via the Internet by 7 p.m. on Wednesday, March 24, 2021.
3. If you have exercised your voting rights in duplicate in writing and via the Internet, your vote via the Internet will be deemed valid.
4. If you have exercised your voting rights multiple times via the Internet, your last vote will be deemed valid.
5. If you are exercising your voting rights using a personal computer or a mobile phone, enter your “log-in ID” and “temporary password” printed on the enclosed Voting Rights Exercise Form on the aforementioned website for exercising voting rights and enter your approval or disapproval of the proposals following the onscreen instructions.
6. If you are exercising your voting rights using a smartphone, you can automatically connect to the website for exercising voting rights and cast your vote by scanning the “QR Code for log-in” printed on the Voting Rights Exercise Form. However, you can exercise your voting rights using a QR Code only once. From the second time onward, please enter the “log-in ID” and “temporary password.” In addition, log-in using a QR Code may not be available depending on the model of your smartphone. In this case, please exercise your voting rights by entering your “log-in ID” and “temporary password.”
7. Please note that fees charged for accessing the website for exercising voting rights (internet connection fee, etc.) is the shareholder’s responsibility.

### **[Inquiries]**

In case of inquiries regarding how to operate your personal computer, etc. for exercising voting rights via the Internet, please contact the following.

Helpdesk at Securities Transfer Agency Division, Mitsubishi UFJ Trust and Banking Corporation

Telephone: 0120-173-027 (free of charge in Japan)

Business hours: 9 a.m. to 9 p.m.

### **[To institutional investors]**

Institutional investors may exercise voting rights at the Company’s general meeting of shareholders via the Electronic Voting System Platform for institutional investors operated by ICJ, Inc.

## Reference Documents for the General Meeting of Shareholders

### Proposal 1: Partial Amendment to the Articles of Incorporation

#### 1. Reason for the proposal

To elect a substitute Auditor in case the number of Auditors falls short of that required by laws and regulations, the Company proposes to partially amend the Articles of Incorporation and newly establish provisions concerning a substitute Auditor.

#### 2. Details of the amendment

The proposed amendment is as follows:

Current Articles of Incorporation	Proposed amendment
Article 1–Article 28 Omitted	Article 1–Article 28 No change
(Method for Appointment)	(Method for Appointment)
Article 29 Omitted	Article 29 No change
2 Omitted	2 No change
3 Newly established	<u>3 In accordance with Article 329, Paragraph 3 of the Companies Act, the Company may appoint a substitute Auditor at a General Meeting of Shareholders in case the number of Auditors falls short of that required by laws and regulations or the Articles of Incorporation.</u>
4 Newly established	<u>4 The effectiveness of the appointment of substitute Auditor shall expire at the beginning of the Ordinary General Meeting of Shareholders relating to the last fiscal year that ends within four (4) years after the appointment.</u>
5 Newly established	<u>5 The provisions of Paragraph 2 of this Article shall apply mutatis mutandis to the quorum for resolution of the appointment of a substitute Audit.</u>
(Term of Office)	(Term of Office)
Article 30 Omitted	Article 30 No change
2 The term of office of Auditor who is appointed as a substitute for Auditor who retired before the expiration of his/her term of office shall be the remaining term of office of the retired Auditor.	<u>2 The term of office of Auditor who is appointed as a substitute for Auditor who retired before the expiration of his/her term of office shall be the remaining term of office of the retired Auditor. However, if a substitute Auditor who is appointed pursuant to Paragraph 3 of the preceding article assumes the office of Auditor, the term of office of the relevant Auditor may not exceed the conclusion of the Ordinary Meeting of Shareholders held for the last fiscal year that ends within four (4) years after the appointment.</u>
Article 31–Article 42 Omitted	Article 31–Article 42 No change

## Proposal 2: Election of 4 Directors

The terms of office of all 6 Directors will expire at the conclusion of this meeting. With the introduction of an executive officer system to strengthen the monitoring function of the Board of Directors and speed up business execution, the Company proposes that the number of Directors be reduced by 2, and 4 Directors be elected.

The candidates are as follows. This Proposal is made based on the results of deliberation by the Nomination and Remuneration Committee, a voluntary advisory committee to the Board of Directors, the majority of whose committee members are Outside Directors.

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	Yuta Tsuruoka (December 28, 1989)	December 2012 Established the Company, Representative Director and CEO (current position) January 2018 Director, PAY, Inc. January 2018 Representative Director, BASE BANK, Inc. (current position) December 2020 Outside Director, CAMPFIRE, Inc. (current position) [Significant concurrent positions] Representative Director, BASE BANK, Inc. Outside Director, CAMPFIRE, Inc.	3,140,400
2	Ken Harada (March 28, 1977)	April 2000 Joined ANDO Corporation (currently HAZAMA ANDO CORPORATION) September 2007 Joined mixi, Inc. August 2013 Joined FreakOut, inc. (currently FreakOut Holdings, inc.) June 2015 Joined the Company February 2016 Director and CFO, the Company (current position) January 2018 Director, PAY, Inc. (current position) January 2018 Director, BASE BANK, Inc. (current position) [Significant concurrent positions] Director, PAY, Inc. Director, BASE BANK, Inc.	0
3	Masayuki Shimura (September 7, 1958)	April 1982 Joined Mitsui Bank (currently Sumitomo Mitsui Banking Corporation) April 2010 Executive Officer and General Manager, Asia Pacific Division, Sumitomo Mitsui Banking Corporation April 2015 Senior Managing Executive Officer (Member of the Management Committee), Sumitomo Mitsui Banking Corporation May 2017 Senior Managing Executive Officer, Sumitomo Mitsui Card Company, Limited June 2018 Representative Director and Senior Managing Executive Officer, Sumitomo Mitsui Card Company, Limited July 2019 Established Shimura & Partners, CEO (current position) August 2019 Outside Director, the Company (current position) March 2020 Auditing Committee Director, bitFlyer Holdings, Inc. (current position) March 2020 Auditing Committee Director, bitFlyer, Inc. (current position) December 2020 Outside Director, MedPeer, Inc. (current position) [Significant concurrent positions] CEO, Shimura & Partners	0
4	Michi Iijima (February 20, 1958)	June 1978 Joined Johnny & Associates, Inc. June 2005 Director, J dream Inc. July 2016 Established CULEN Inc., Representative Director (current position) April 2018 Established mobo-moga inc., Representative Director (current position) [Significant concurrent positions] Representative Director, CULEN Inc. Representative Director, mobo-moga inc.	0

- (Notes)
1. There are no special interests between the candidates and the Company.
  2. Mr. Masayuki Shimura and Ms. Michi Iijima are candidates for outside Directors.
  3. Mr. Masayuki Shimura was nominated as a candidate for outside Director because he has deep insight and experience in

the financial and settlement sectors, and we believe that he will provide valuable advice and supervision on the management of the Company from an independent standpoint.

4. Ms. Michi Iijima was nominated as a candidate for outside Director because she has experience as Representative Director and Director at multiple companies, including companies she established, and we believe that she will provide valuable advice and supervision on the management of the Company from an independent standpoint.
5. Mr. Masayuki Shimura is currently serving as outside Director of the Company. His period in office as outside Director at the conclusion of this meeting is 1 year and 7 months.
6. The Company has registered Mr. Masayuki Shimura as an Independent Director prescribed by Tokyo Stock Exchange, Inc. In the event that his election is approved, the Company plans for him to continue serving as an Independent Director.
7. Mr. Masayuki Shimura has entered into an agreement with the Company in accordance with provisions of the Articles of Incorporation of the Company and Article 427, Paragraph 1 of the Companies Act to limit his liability pursuant to Article 423, Paragraph 1 of the same act. The maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations. In the event that his reelection is approved, the Company plans to continue such liability limitation agreement with him.
8. In the event that Ms. Michi Iijima's election is approved, the Company plans to register her as an Independent Director prescribed by Tokyo Stock Exchange, Inc. Although she serves as Representative Director of CULEN, Inc., with which the Company has entered into an agreement on advertisement appearance, we believe that she maintains independence as there are no special interests between the two companies and CULEN, Inc. is not a specified associated service provider.
9. In the event that Ms. Michi Iijima's election is approved, the Company plans to enter into an agreement with her in accordance with provisions of the Articles of Incorporation of the Company and Article 427, Paragraph 1 of the Companies Act to limit her liability pursuant to Article 423, Paragraph 1 of the same act. The maximum amount of liability pursuant to the agreement will be the amount stipulated by laws and regulations.
10. The Company has concluded with an insurance firm a directors and officers liability insurance contract, by which payment for damages to be borne by an insured person shall be covered. All Directors shall be insured persons, and the Company is responsible for the full amount of the insurance premium for all of the insured persons. If the election of each candidate is approved, each candidate will become an insured person under the insurance contract.

### Proposal 3: Election of 1 Substitute Auditor

In case the number of Auditors falls short of the quorum required by laws and regulations, the Company asks for the approval of its shareholders for the election of one Substitute Auditor. The effect of election under this Proposal may be nullified by the resolution of the Board of Directors with the consent of the Board of Auditors, only before the assumption of office as Substitute Auditor.

The Board of Auditors has given its consent to the submission of this Proposal.

The candidate is as follows:

Name (Date of birth)	Career summary and significant concurrent positions		Number of shares of the Company held
Chie Hoshi (March 6, 1972)	April 1998	Registered as an attorney (Member of Dai-Ichi Tokyo Bar Association)	0
	September 2004	Joined Tanabe&Partners	
	April 2006	Partner, Tanabe&Partners	
	April 2014	Member of the Defense Procurement Council (current position)	

- (Notes)
1. There are no special interests between Ms. Chie Hoshi and the Company.
  2. She is a candidate for substitute outside Auditor, as stipulated in Article 2, Paragraph 3, Item 8 of the Regulation for Enforcement of the Companies Act.
  3. She satisfies the requirements to be an independent officer prescribed by Tokyo Stock Exchange, Inc. In the event that she assumes the office of outside Auditor, the Company plans to register her as an independent officer.
  4. She was nominated as a candidate for outside Auditor because she is capable of conducting audits from an objective standpoint based on a high level of legal expertise and insight on laws and regulations as an attorney and also because of her superior character. Although she has never been involved with corporate management in the past other than serving as outside Director or outside Auditor, we believe that she is capable of performing her duties as outside Auditor properly based on the reasons stated above.
  5. In the event that she assumes the office of Auditor, the Company plans to enter into an agreement with her in accordance with provisions of the Articles of Incorporation of the Company and Article 427, Paragraph 1 of the Companies Act to limit her liability pursuant to Article 423, Paragraph 1 of the same act. The maximum amount of liability pursuant to the agreement will be the amount stipulated by laws and regulations.

6. The Company has concluded with an insurance firm a directors and officers liability insurance contract, by which payment for damages to be borne by an insured person shall be covered. All Auditors shall be insured persons, and the Company is responsible for the full amount of the insurance premium for all of the insured persons. If she assumes the office of Auditor, she will become an insured person under the insurance contract.

#### **Proposal 4: Revision of Amount of Compensation for Directors**

At the 7th Annual General Meeting of Shareholders held on March 25, 2020, the amount of compensation for Directors of the Company was approved to be not more than 200 million yen per year (of the total, not more than 20 million yen per year for outside Directors; however, the amount does not include the portion of employee's salaries for Directors who concurrently serve as employees).

Based on the discussion by the Nomination and Remuneration Committee established by the Company, we ask for the approval of shareholders for an annual amount of compensation for Directors of the Company to be not more than 300 million yen (of the total, not more than 30 million yen per year for outside Directors; however, the amount does not include the portion of employee's salaries for Directors who concurrently serve as employees.), at this General Meeting of Shareholders, in consideration of various circumstances, including the increase and expansion of duties of Directors.

The Company currently has 6 eligible Directors (including 2 outside Directors). In the event that Proposal 2 is approved as proposed, the Company will have 4 eligible Directors (including 2 outside Directors).

This Proposal is made based on the results of deliberation by the Nomination and Remuneration Committee, a voluntary advisory committee to the Board of Directors, the majority of whose committee members are Outside Directors.

#### **Proposal 5: Determination of Compensation for Granting Restricted Stock to Directors**

At the 7th Annual General Meeting of Shareholders held on March 25, 2020, the amount of compensation for Directors of the Company was approved to be not more than 200 million yen per year (excluding the portion of employees' salaries for Directors who currently serve as employees). However, if Proposal 4 is approved as proposed, the amount of compensation for Directors will be not more than 300 million yen per year (of the total, not more than 30 million yen per year for outside Directors; however, the amount does not include the portion of employee's salaries for Directors who concurrently serve as employees.).

At the 7th Annual General Meeting of Shareholders held on March 25, 2020, it was also approved that the total amount of monetary compensation to be paid as compensation related to the Company's ordinary stock subject to a certain restriction period and provisions on acquisition by the Company without consideration (hereinafter, "Restricted Stock") separately from the aforementioned amount of compensation be not more than 100 million yen per year (of the total, not more than 10 million yen for outside Directors; however, the amount does not include the portion of employee's salaries for Directors who concurrently serve as employees).

Based on the discussion by the Nomination and Remuneration Committee established by the Company, for the purpose of providing the Directors of the Company with incentives to sustainably increase the Company's corporate value as well as further promoting shared value between the Directors and shareholders, we ask for the approval of shareholders for the total amount of monetary compensation to be paid for granting Restricted Stock to the Company's Directors to be not more than 500 million yen per year (of the total, not more than 50 million yen for outside Directors), separately from the amount of compensation specified in Proposal 4, as an amount deemed reasonable in light of the above-mentioned purpose.

The compensation for granting Restricted Stock will be paid to outside Directors as well, for the purpose of further promoting shared value with shareholders.

This Proposal is made based on the results of deliberation by the Nomination and Remuneration Committee, a voluntary advisory committee to the Board of Directors, the majority of whose committee members are Outside Directors.

The Company currently has 6 eligible Directors (including 2 outside Directors). In the event that Proposal 2 is approved as proposed, the Company will have 4 eligible Directors (including 2 outside Directors).

In accordance with the resolution of the Board of Directors of the Company, the eligible Directors shall make contributions in-kind of all monetary compensation claims arising under this proposal, and in return, receive shares of the Company's ordinary stock, upon issuance or disposition thereof. The total number of shares of the Company's ordinary stock to be newly issued or disposed of shall be not more than 57,000 shares per year (of the total, not more than 5,700 shares for outside Directors. However, in the event of a stock split (including gratis allotment) or consolidation of the Company's ordinary stock, or any other circumstances that require an adjustment to the total number of shares of the Company's ordinary stock to be newly issued or disposed of as Restricted Stock on and after the approval date of this proposal, the total number of shares shall

be adjusted within a reasonable range). The amount per share to be paid by the eligible Directors shall be determined by the Board of Directors to the extent that does not constitute a particularly advantageous sum for the eligible Directors, based on the closing price of the ordinary stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding each date of resolution by the Board of Directors (or the closing price of the previous latest transaction date if no transaction is made on such day). In addition, when issuing or disposing of the Company's ordinary stock under this proposal, the Company and the eligible Directors shall conclude a Restricted Stock Allocation Agreement (hereinafter the "Allocation Agreement") that includes the following terms.

- (1) An eligible Director shall not transfer, create security interests, or otherwise dispose of (hereinafter the "Transfer Restriction") the allotted ordinary stock of the Company under this Allocation Agreement (hereinafter the "Allotted Shares"), for the period of three years or more prescribed by the Board of Directors, or for the period from the day of delivery of the Allotted Shares to the day when the relevant eligible Director resigns or retires from the position of Director of the Company or other positions prescribed by the Board of Directors of the Company (however, when the eligible Director resigns or retires within three months after the fiscal year which the day of delivery of the Allotted Shares falls under, and if the Board of Directors of the Company specifies another date that comes within six months after such fiscal year, to such specified date) (hereinafter the "Restriction Period").
- (2) If an eligible Director resigns or retires from the position defined in (1) above prior to the expiration of the period specified by the Board of Directors of the Company (hereinafter the "Service Period"), the Company shall automatically acquire the Allotted Shares without consideration, except for cases where there is a reason deemed as justifiable by the Board of Directors of the Company.
- (3) The Company shall lift the Transfer Restriction for all of the Allotted Shares upon expiration of the Restriction Period, as long as the eligible Director has consecutively held the position defined in (1) above during the Service Period. However, if an eligible Director resigns or retires from the position as defined in (1) above prior to the expiration of the Service Period due to a reason deemed as justifiable by the Board of Directors of the Company as defined in (2) above, the Company shall reasonably adjust as necessary the number of the Allotted Shares for which the Transfer Restriction is lifted.
- (4) The Company shall automatically acquire without consideration any Allotted Shares for which the Transfer Restriction is not yet lifted at the time of expiration of the Restriction Period as defined in (3) above.
- (5) Regardless of the provisions in (1) above, if matters related to a merger agreement with the Company as the absorbed company, a share exchange agreement or share transfer plan with the Company as a wholly-owned subsidiary, or other organizational restructuring are approved by the Company's general meeting of shareholders (or by the Board of Directors of the Company in case the organizational restructuring does not require approval of the general meeting of shareholders) during the Restriction Period, the Company shall, by the resolution of the Board of Directors of the Company, lift the Transfer Restriction prior to the effective date of the organizational restructuring for the number of the Allotted Shares as reasonably determined taking into account the period from the commencement of the Service Period to the approval date of the organizational restructuring.
- (6) In case the provisions in (5) above apply, the Company shall automatically acquire without consideration any Allotted Shares for which the Transfer Restriction is not yet lifted immediately after the lifting pursuant to the provisions mentioned in (5) above.
- (7) The method of indicating intentions and issuing notifications under the Allocation Agreement, the method of amending the Allocation Agreement, and other matters to be determined by the Board of Directors shall be included in the Allocation Agreement.

(Reference)

The Company intends to grant restricted stock compensation similar to the above restricted stock compensation to the Company's employees and the Company's subsidiaries' Directors and employees.



# Business Report

## 1. Current Circumstances of the Corporate Group

### (1) Progress and performance of business operations

Advocating “Payment to the People, Power to the People.” as its mission, the Group of the Company (hereinafter, “the Group”) actively operates the BASE business providing e-commerce platforms BASE, and the PAY business providing PAY.JP, online payment services and PAY ID, payment services and through these services, the Group focuses on empowering SMB (Small and Medium Businesses) and supporting start-up businesses.

In the end of the consolidated fiscal year ended December 31, 2020, demand in the EC market significantly surged due to the acceleration of nesting consumption, shop support consumption, and an online shift of brick-and-mortar stores in line with the spread of infections of the novel coronavirus. In this business environment, the BASE business is continuously striving to conduct active marketing targeting Micro, Small and Medium Businesses and expanding services to improve convenience of shop management. In the PAY business, we are promoting marketing activities targeting startups and venture companies, strengthening products with the aim of providing an online payment function that is simpler and easier to install and operate, and striving to expand the number of member stores.

As a result of the above, during the fiscal year ended December 31, 2020, the Group registered net sales of ¥8,288,148 thousand (115.3% increase year-on-year), an operating profit of ¥803,226 thousand (operating loss of ¥441,719 thousand in the previous fiscal year), an ordinary profit of ¥747,950 thousand (ordinary loss of ¥455,921 thousand in the previous fiscal year), and a profit attributable to owners of parent of ¥584,501 thousand (a loss of ¥459,675 thousand to owners of parent in the previous fiscal year).

### (2) Capital investments

The total amount of capital investments in the fiscal year ended December 31, 2020 was ¥31,454 thousand. Major investments comprise ¥16,391 thousand for the purchase of PCs associated with an increase in employees and ¥15,062 thousand for the interior work and equipment for the head office.

The total amount of capital investments does not include asset retirement costs associated with asset retirement obligations.

### (3) Financing

On October 9, 2020, the Group issued 1,200,000 shares by way of international offering and raised ¥12,453,120 thousand.

In order to finance working capital in a flexible manner, the Group has entered into overdraft agreements and commitment line contracts with four banks for a total of ¥4,500,000 thousand.

### (4) Issues to be addressed

The Company considers the following as the Group’s key issues to be addressed:

#### (i) Strengthening product development and technological capabilities

The Group’s business is deeply engaged in the Internet sector. To launch competitive products in the EC market, the Group considers it important to adopt the sector’s information technology and services in a timely manner and to constantly create new products.

To this end, the Group will efficiently adapt to changes in the EC environment and respond to requests

from users of the Group's services to offer quality products.

As of the end of December 2020, 92 product-related employees work for the Group. We will continue with our efforts to secure talented engineers and to improve the workplace environment.

(ii) Securing and developing talent

For the continued growth of the Group, we consider it important to hire talent at an appropriate timing and to strengthen the product development and internal control systems.

To this end, the Group works to diversify its hiring methods by taking such measures as holding hiring events and introducing an employee referral program, in an effort to hire people who are qualified and fit in our culture. At the same time, the Group will also improve its educational system to retain and upskill its employees.

(iii) Strengthening the internal control system

The Group aims for further expansion of its business and considers it important to increase operational efficiency and strengthen the internal control system in order to achieve continued growth and improved corporate value.

To this end, the Group will improve the back office operations and strengthen the internal control system to ensure fair and transparent management. Specifically, the Risk Management and Compliance Committee has been established to understand operational risks and manage risks appropriately. The Group also works to strengthen its compliance system by conducting periodic internal audits and to enhance corporate governance functions by conducting audits by Auditors.

(iv) Securing the soundness of services

As an enterprise that offers platforms for transactions, the Group considers it important to secure the soundness of its services to enable safe transactions for all stakeholders, including shop operators and purchasers.

To this end, a dedicated section has been established to take measures to ensure the soundness of services. Specifically, the Group works to secure the soundness of its services by analyzing the transaction data it owns with the help of machine learning and detecting and preventing unauthorized settlement and sale of inappropriate products.

(v) Implementing disciplined upfront investment

The Group has implemented upfront investment actively, including advertising and publicity via TV commercials and online advertising for raising recognition level and acquisition of new customers, as well as hiring of product personnel to expand services. The Group intends to continue such upfront investment as it is necessary to maintain a high growth rate. Meanwhile, the Group will implement disciplined upfront investment, not only in light of cost-effectiveness but also under cost control considering the level of operating profit and loss.

(5) Assets, profits, and losses

(i) Assets, profits, and losses of the corporate group

Item		5th fiscal year ended December 31, 2017	6th fiscal year ended December 31, 2018	7th fiscal year ended December 31, 2019	8th fiscal year ended December 31, 2020 (under review)
Net sales	(thousand yen)	-	2,352,406	3,849,821	8,288,148
Ordinary profit (loss)	(thousand yen)	-	(798,930)	(455,921)	747,950
Profit (loss) attributable to owners of parent	(thousand yen)	-	(854,783)	(459,675)	584,501
Net profit (loss) per share	(yen)	-	(118.45)	(38.73)	28.18
Total assets	(thousand yen)	-	6,951,406	10,458,801	28,505,568
Net assets	(thousand yen)	-	1,737,463	3,158,313	16,217,996
Net assets per share	(yen)	-	(428.98)	154.71	739.22

(Notes) 1. The Company started preparing consolidated financial statements from the 7th fiscal year. The consolidated financial statements for the 6th fiscal year were prepared based on the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976), and the figures for the said fiscal year are presented for reference.

2. The Company conducted a stock split at a ratio of 400 shares per one common share on August 31, 2019. Net loss per share and net assets per share were calculated on the assumption that the stock split was conducted at the beginning of the 6th fiscal year.

(ii) Assets, profits, and losses of the Company

Item		5th fiscal year ended December 31, 2017	6th fiscal year ended December 31, 2018	7th fiscal year ended December 31, 2019	8th fiscal year ended December 31, 2020 (under review)
Net sales	(thousand yen)	1,147,394	1,982,733	3,198,687	7,321,202
Ordinary profit (loss)	(thousand yen)	(1,261,431)	(613,611)	(272,789)	887,691
Net profit (loss)	(thousand yen)	(1,268,804)	(854,783)	(276,073)	380,874
Net profit (loss) per share	(yen)	(175.82)	(118.45)	(23.26)	18.36
Total assets	(thousand yen)	5,308,080	5,111,262	7,670,667	25,945,191
Net assets	(thousand yen)	1,560,774	1,737,463	3,361,939	16,217,996
Net assets per share	(yen)	(310.53)	(428.98)	164.69	739.22

(Note) The Company conducted a stock split at a ratio of 400 shares per one common share on August 31, 2019. Net loss per share and net assets per share were calculated on the assumption that the stock split was conducted at the beginning of the 5th fiscal year.

(6) Significant parent company and subsidiaries

(i) Parent company

Not applicable.

(ii) Subsidiaries

Name	Capital	Ownership ratio	Business activities
PAY, Inc.	100,000 thousand yen	100%	Provision of payment services
BASE BANK, Inc.	87,544 thousand yen	100%	Financial business

(Notes) 1. The capital of PAY, Inc. decreased due to the capital reduction as of May 13, 2020.

2. The capital of BASE BANK, Inc. decreased due to the capital reduction as of May 13, 2020.

3. As of June 18, 2020, the Company underwrote capital increase of BASE BANK, Inc.

(7) Major business activities

Advocating “Payment to the People, Power to the People.” as its mission, the Group consists of the Company and its two consolidated subsidiaries, PAY, Inc. and BASE BANK, Inc., and operates e-commerce platforms, online payment services and funding services.

The Company operates the BASE business, which provides e-commerce platforms BASE, and its consolidated subsidiary PAY, Inc. operates the PAY business, which offers PAY.JP, an online credit card payment service, and PAY ID, an ID-based payment service. The other consolidated subsidiary BASE BANK, Inc. operates other business, with a focus on YELL BANK, a funding service that offers business funds for shop owners using BASE.

The Group focuses on empowering individuals and SMB (Small and Medium Businesses) through BASE and supporting start-up businesses through PAY.JP.

(i) BASE business

BASE constitutes an e-commerce platform providing an online shop development service as well as shopping apps and other outlets that enable the purchase of products from shops that have been set up using the service. The clientele of the online development service includes not only individuals producing handicrafts, but also corporations engaging in business and government bodies, including municipalities.

BASE allows its users to easily open a well-designed online shop by selecting a web design from the Company’s design templates, without use of specialist website building or web design technologies. Furthermore, the Company has introduced its proprietary payment system “BASE Easy Pay system,” which offers a one-stop service covering every step from opening an online shop to introducing a payment function, to shorten the time required for installing a payment function, thereby addressing issues in running an e-commerce shop. The system enables people to open and run online shops more easily by eliminating barriers, such as time required for opening a shop, running costs and web technologies.

(ii) PAY business

PAY.JP is an online payment service that readily enables web services and online shops (excluding online shops set up via BASE) to start accepting credit card payments. Designed in line with the concept of “Simplifying all your payments,” the system is easy to install for all developers, whether they are individuals or corporate customers. By resolving issues concerning the long time needed for application, high costs and difficulty of use found in conventional, complicated online payment services and making the installation extremely easy, the system expands opportunities for buying and selling online and

facilitates people's online economic activities.

PAY ID is an ID-based payment service for purchasers. After registering information with PAY ID, purchasers can make payments smoothly by simply logging in using the ID and password, without entering the credit card number and address every time.

(iii) Other business

YELL BANK is a funding service that uses shop data of BASE to predict future sales of BASE shops and offers business funds for shop owners by purchasing future receivables based on the prediction. The service supports further growth of BASE shops.

(8) Major business locations

(i) The Company

Name	Location
Head office	Minato-ku, Tokyo

(ii) Subsidiaries

Name	Location
PAY, Inc.	Minato-ku, Tokyo
BASE BANK, Inc.	Minato-ku, Tokyo

(9) Employees

Number of employees	Year-on-year change	Average age	Average years of service
162	Increased by 26	32.1 years old	2.4 years

(Note) The number of employees excludes temporary employees.

The number of employees excludes secondees from other companies (2 persons).

## 2. Shares of the Company (as of December 31, 2020)

(1) Total number of shares authorized to be issued 75,288,000

(2) Total number of shares issued and outstanding 21,939,400

(3) Number of shareholders at the end of the fiscal year ended December 31, 2020 10,022

### (4) Major shareholders (top 10)

Name	Shares held	Shareholding ratio (%)
Yuta Tsuruoka	3,140,400	14.3
MARUI GROUP CO., LTD.	1,261,200	5.7
GOLDMAN, SACHS & CO. REG	1,220,931	5.5
MSIP CLIENT SECURITIES	1,207,567	5.5
Custody Bank of Japan, Ltd. (trust account)	1,134,500	5.1
MSCO CUSTOMER SECURITIES	903,950	4.1
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	550,543	2.5
partyfactory, Inc.	525,900	2.3
Morgan Stanley & Co. LLC	520,106	2.3
CyberAgent, Inc.	451,000	2.0

### 3. Directors and Auditors

#### (1) Names of Directors and Auditors, etc. (as of December 31, 2020)

Name	Positions and responsibilities	Significant concurrent positions
Yuta Tsuruoka	Representative Director and CEO	Representative Director, BASE BANK, Inc. Outside Director, CAMPFIRE, Inc.
Shinichi Fujikawa	Director and EVP of Development	Director, PAY, Inc.
Ken Harada	Director and CFO	Director, PAY, Inc. Director, BASE BANK, Inc.
Kenji Yamamura	Director and COO	
Kazuma Ieiri	Director	Representative Director, partyfactory, Inc. Representative Director, CAMPFIRE, Inc.
Masayuki Shimura	Director	Shimura & Partners
Fumio Utagawa	Full-time Auditor	Auditor, PAY, Inc. Auditor, BASE BANK, Inc.
Misao Akutsu	Auditor	Representative Director, Coco Breeze, Inc.
Yohei Yamaguchi	Auditor	President, Yohei Yamaguchi Certified Public Accountant Firm

- (Notes) 1. Directors Kazuma Ieiri and Masayuki Shimura are Outside Directors stipulated in Article 2, Item 15 of the Companies Act.  
2. Full-time Auditor Fumio Utagawa and Auditors Misao Akutsu and Yohei Yamaguchi are Outside Auditors stipulated in Article 2, Item 16 of the Companies Act.  
3. Auditor Yohei Yamaguchi is qualified as a certified public accountant and has considerable knowledge of finance and accounting.  
4. The Company has appointed Director Masayuki Shimura, Auditor Fumio Utagawa and Auditor Yohei Yamaguchi as Independent Director and Independent Auditors prescribed by Tokyo Stock Exchange, Inc., and has informed the Exchange to that effect.

#### (2) Details of limited liability agreement

The Company has entered into agreements with Outside Directors Kazuma Ieiri and Masayuki Shimura as well as with Outside Auditors Fumio Utagawa, Misao Akutsu and Yohei Yamaguchi in accordance with Article 427, Paragraph 1 of the Companies Act to limit their liability for damages pursuant to Article 423, Paragraph 1 of the same act. The maximum amount of liability pursuant to the agreement with the Outside Directors and Auditors is the minimum amount stipulated by Article 425, Paragraph 1 of the same act.

#### (3) Overview of directors and officers liability insurance contract

The Company has concluded with an insurance firm a directors and officers liability insurance contract, by which payment for damages to be borne by an insured person shall be covered. The Group's officers shall become insured persons and the upper limit of the payment covered is 500 million yen. The Company is responsible for the full amount of the insurance premium for all of the insured persons.

#### (4) Compensation for Directors and Auditors

Category	Number of people who received compensation	Total amount of compensation
Directors (Outside Directors)	6 (2)	80,253 thousand yen (7,800 thousand yen)
Auditors (Outside Auditors)	3 (3)	17,063 thousand yen (17,063 thousand yen)
Total (Outside Directors/Auditors)	9 (5)	97,316 thousand yen (24,863 thousand yen)

(Note) At the 7th Annual General Meeting of Shareholders held on March 25, 2020, the amount of compensation for Directors was resolved to be not more than 200,000 thousand yen per year (including not more than 20,000 thousand yen for Outside Directors). In addition, at the Extraordinary General Meeting of Shareholders held on August 28, 2019, the amount of compensation for Auditors was resolved to be not more than 19,000 thousand yen per year.

#### (5) Outside Directors and Auditors

(i) Significant concurrent positions at other corporations and relationships between the Company and the corporations

- Director Kazuma Ieiri serves as Representative Director at partyfactory, Inc. and CAMPFIRE, Inc. partyfactory, Inc. owns 2.3% of the Company's shares issued. In addition, CAMPFIRE, Inc. and the Company have entered into a capital and business alliance.
- Director Masayuki Shimura serves as CEO of Shimura & Partners. There are no special relationships between the Company and Ubicom Holdings, Inc.
- Auditor Misao Akutsu serves as Representative Director at Coco Breeze, Inc. There are no special relationships between the Company and Coco Breeze, Inc.
- Auditor Yohei Yamaguchi serves as President at Yohei Yamaguchi Certified Public Accountant Firm. There are no special relationships between the Company and Yohei Yamaguchi Certified Public Accountant Firm.

(ii) Major activities during the fiscal year under review

Category	Name	Attendance and remarks
Outside Director	Kazuma Ieiri	He attended all 20 meetings of the Board of Directors held during the fiscal year under review. He gave advice and opinions on proposals based on his abundant experience and knowledge in the IT industry as well as his broad insight into corporate management.
Outside Director	Masayuki Shimura	He attended all 20 meetings of the Board of Directors held during the fiscal year under review. He gave advice and opinions on proposals based on his deep knowledge and broad range of experience in the financial/payment industry.
Outside Auditor	Fumio Utagawa	He attended all 20 meetings of the Board of Directors and all 21 meetings of the Board of Auditors held during the fiscal year under review. He gave advice and opinions on proposals based on his abundant experience and broad insight gained over the years into general administrative work.
Outside Auditor	Misao Akutsu	He attended all 20 meetings of the Board of Directors and all 21 meetings of the Board of Auditors held during the fiscal year under review. He gave advice and opinions on proposals based on his abundant experience and broad insight gained over the years into business and corporate management.
Outside Auditor	Yohei Yamaguchi	He attended all 20 meetings of the Board of Directors and all 21 meetings of the Board of Auditors held during the fiscal year under review. He is well-versed in corporate accounting as a certified public accountant and gave advice and opinions on proposals based on his abundant experience as an accounting expert and considerable insight into accounting and auditing.



## 4. Accounting Auditor

### (1) Name of Accounting Auditor

KPMG AZSA LLC

### (2) Amount of compensation, etc.

Category	Total amount of compensation, etc.
Total amount of compensation, etc. to the Accounting Auditor for the fiscal year under review	20,000 thousand yen
Total amount of cash and other financial benefits to be paid by the Company and its subsidiaries	20,000 thousand yen

- (Notes) 1. The amount of audit fees for audits under the Companies Act and that for audits under the Financial Instruments and Exchange Act are not clearly distinguished in the audit agreement between the Company and the Accounting Auditor, and as it is not practically possible to categorize them, the sum of these amounts is recorded in the total amount of compensation, etc. to Accounting Auditor for the fiscal year under review.
2. The Board of Auditors examined the content of the Accounting Auditor's audit plan and the basis for calculating the estimated compensation by obtaining necessary materials and receiving reports from the Board of Directors, relevant departments within the Company and the Accounting Auditor, and thereupon judged and agreed that the amount of compensation, etc. to the Accounting Auditor was appropriate.

### (3) Contents of non-audit services

Not applicable.

### (4) Policy regarding decisions on the dismissal or non-reappointment of the Accounting Auditor

If the Accounting Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act and the Accounting Auditor's dismissal is accordingly deemed to be appropriate, the Board of Auditors shall dismiss the Accounting Auditor with the unanimous consent of all Auditors. Further, if it is recognized that the execution of appropriate audits by the Accounting Auditor is hindered, the Board of Auditors shall decide the content of a proposal for dismissal or non-reappointment of the Accounting Auditor, which is to be submitted to the general meeting of shareholders.

## 5. Policy Concerning the Decision on the Distribution of Surplus

Given that the Company is currently in the process of growth, it has not paid dividends ever since it was established, as it believes that it is important to enhance internal reserves for business expansion in addition to strengthening its financial position. However, the Company also recognizes that returning profits to shareholders is an essential management issue.

The Company will consider its fundamental policy on future dividend payments, by finding a balance with internal reserves and taking into account the business environment in which it operates, while strengthening its profitability and developing its business base. It will effectively use its internal reserves as funds for improving its future profitability by strengthening its financial position and maintaining and enhancing its competitiveness.

# Consolidated Balance Sheet (as of December 31, 2020)

(Thousand yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	27,693,735	Current liabilities	12,224,208
Cash and deposits	22,271,835	Operating accounts payable	8,989,430
Accounts receivable - other	4,971,178	Operating deposits received	2,589,694
Other	512,753	Provision for charge back	10,338
Allowance for doubtful accounts	(62,032)	Other	634,746
Non-current assets	811,833	Non-current liabilities	63,363
Property, plant and equipment	120,097	Total liabilities	12,287,572
Buildings	89,284	Net assets	
Other	30,813	Shareholders' equity	16,218,726
Intangible assets	3,295	Capital stock	8,513,913
Investments and other assets	688,440	Capital surplus	7,323,938
Investment securities	435,569	Retained earnings	380,874
Other	252,870	Accumulated other comprehensive income	(729)
		Valuation difference on available-for-sale securities	(729)
Total assets	28,505,568	Total net assets	16,217,996
		Total liabilities and net assets	28,505,568

# Consolidated Statement of Income (from January 1, 2020 to December 31, 2020)

(Thousand yen)

Item	Amount	
Net sales		8,288,148
Cost of sales		3,295,911
Gross profit		4,992,237
Selling, general and administrative expenses		4,189,010
Operating profit		803,226
Non-operating income		
Interest income	65	
Lecturer's fee income	1,677	
Sponsorship money income	510	
Other	604	2,858
Non-operating expenses		
Interest expenses	64	
Share issuance costs	56,603	
Commitment fee	1,467	58,134
Ordinary profit		747,950
Profit before income taxes		747,950
Income taxes-current	164,074	
Income taxes-deferred	(624)	163,449
Net profit		584,501
Profit attributable to owners of parent		584,501

# Non-consolidated Balance Sheet (as of December 31, 2020)

(Thousand yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	24,912,889	Current liabilities	9,663,831
Cash and deposits	21,547,462	Accounts payable - other	254,984
Prepaid expenses	399,934	Accrued expenses	23,064
Accounts receivable - other	2,950,845	Income taxes payable	253,249
Other	70,947	Operating accounts payable	8,989,430
Allowance for doubtful accounts	(56,301)	Operating deposits received	34,430
Non-current assets	1,032,301	Deposits received	18,150
Property, plant and equipment	120,097	Unearned revenue	13,200
Buildings	89,284	Provision for charge back	10,338
Tools, furniture and fixtures	30,813	Other	66,983
Intangible assets	3,295	Non-current liabilities	63,363
Patent right	1,771	Deferred tax liabilities	10,507
Trademark right	1,173	Asset retirement obligations	52,855
Software	350	Total liabilities	9,727,194
Investments and other assets	908,908	Net assets	
Investment securities	435,569	Shareholders' equity	16,218,726
Shares of subsidiaries and associates	220,468	Capital stock	8,513,913
Long-term prepaid expenses	7,618	Capital surplus	7,323,938
Leasehold and guarantee deposits	245,252	Legal capital surplus	7,323,938
Total assets	25,945,191	Retained earnings	380,874
		Other retained earnings	380,874
		Retained earnings brought forward	380,874
		Valuation and translation adjustments	(729)
		Valuation difference on available-for-sale securities	(729)
		Total net assets	16,217,996
		Total liabilities and net assets	25,945,191

# Non-consolidated Statement of Income (from January 1, 2020 to December 31, 2020)

(Thousand yen)

Item	Amount	
Net sales		7,321,202
Cost of sales		2,448,656
Gross profit		4,872,545
Selling, general and administrative expenses		3,930,110
Operating profit		942,435
Non-operating income		
Interest income	510	
Lecturer's fee income	1,617	
Sponsorship money income	510	
Other	576	3,215
Non-operating expenses		
Interest expenses	64	
Share issuance costs	56,428	
Commitment fee	1,467	57,959
Ordinary profit		887,691
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	343,946	343,946
Profit before income taxes		543,744
Income taxes - current	163,494	
Income taxes - deferred	(624)	162,869
Net profit		380,874

# Independent Auditor's Audit Report on the Consolidated Financial Statements

## Independent Auditor's Report

February 15, 2021

To: The Board of Directors of  
BASE, Inc.

KPMG AZSA LLC  
Tokyo Office

Takaaki Kurisu  
Certified Public Accountant  
Designated Limited Liability Partner  
Engagement Partner

Tomomichi Sakai  
Certified Public Accountant  
Designated Limited Liability Partner  
Engagement Partner

Masaya Ariyoshi  
Certified Public Accountant  
Designated Limited Liability Partner  
Engagement Partner

### Opinion

We have audited, pursuant to Article 444, Paragraph 4 of the Companies Act, the consolidated financial statements of BASE, Inc., namely, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements for the consolidated fiscal year from January 1, 2020 to December 31, 2020.

In our opinion, the above consolidated financial statements, which were prepared in accordance with accounting principles generally accepted in Japan, present fairly, in all material respects, the assets and profit and loss during the period related to the said consolidated financial statements of the corporate group consisting of Base, Inc. and its consolidated subsidiaries.

### Basis for Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of this report. We are independent from the Company and its consolidated subsidiaries in accordance with the ethical requirements in Japan, and we have fulfilled other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management, the Corporate Auditors and the Board of Auditors for the Consolidated Financial Statements

Management is responsible for preparing and appropriately presenting consolidated financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes establishing and operating internal control that management deems necessary to prepare and appropriately represent the consolidated financial statements without any material misstatement caused by fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to the going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The corporate Auditors and the Board of Auditors are responsible for overseeing the directors' performance of their duties related to establishing and operating the financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our responsibilities are to obtain, based on the audit that we conduct, reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement caused by fraud or error, and to express our opinion from an independent perspective on the consolidated financial statements in an auditor's report. Misstatements can arise from fraud or error and are considered material if they, individually or collectively, could reasonably be expected to influence the decision making of the users of the consolidated financial statements. In accordance with the auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Audit procedures are selected and applied at our discretion. We also obtain sufficient and appropriate audit evidence to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies and their application method used by management and the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is significant uncertainty in regard to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If there is significant uncertainty concerning the premise of a going concern, we are required to draw attention in our auditor's report to the related notes in the consolidated financial statements or, if such notes are inadequate, to issue a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and notes of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, and evaluate the overall presentation, structure, and content of the consolidated financial statements, including the relevant notes, and whether the consolidated financial statements fairly represent the transactions and events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit on the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the corporate Auditors and the Board of Auditors regarding the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal control that we identify during our audit, and any other matters required by the auditing standards.

We also report to the corporate Auditors and the Board of Auditors that we have complied with the relevant ethical requirements in Japan regarding independence, and where applicable, the details of any safeguards in place to eliminate or mitigate matters and obstacles that may reasonably be thought to bear on our independence.

**Conflicts of Interest**

There are no conflicts of interest between the Company and its consolidated subsidiaries and the auditor or its engagement partners that should be described in accordance with the provisions of the Certified Public Accountants Act.

END



# Independent Auditor's Audit Report on the Non-consolidated Financial Statements

## Independent Auditor's Report

February 15, 2021

To: The Board of Directors of  
BASE, Inc.

KPMG AZSA LLC  
Tokyo Office

Takaaki Kurisu  
Certified Public Accountant  
Designated Limited Liability Partner  
Engagement Partner

Tomomichi Sakai  
Certified Public Accountant  
Designated Limited Liability Partner  
Engagement Partner

Masaya Ariyoshi  
Certified Public Accountant  
Designated Limited Liability Partner  
Engagement Partner

### Opinion

We have audited, pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, the financial statements of BASE, Inc., namely, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements, and supplementary schedules attached thereto (hereafter the "financial statements") for the 8th fiscal year from January 1, 2020 to December 31, 2020.

In our opinion, the above financial statements, which were prepared in accordance with accounting principles generally accepted in Japan, present fairly, in all material respects, the assets and profit and loss during the period related to the said financial statements.

### Basis for Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report. We are independent from the Company in accordance with the ethical requirements in Japan, and we have fulfilled other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management, the Corporate Auditors and the Board of Auditors for the Financial Statements

Management is responsible for preparing and appropriately presenting financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes establishing and operating internal control that management deems necessary to prepare and appropriately represent the financial statements without any material misstatement caused by fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements in accordance with the premise of a going concern, and for disclosing matters relating to the going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The corporate Auditors and the Board of Auditors are responsible for overseeing the directors' performance of their duties related to establishing and operating the financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibilities are to obtain, based on the audit that we conduct, reasonable assurance about whether the financial statements as a whole are free from material misstatement caused by fraud or error, and to express our opinion from an independent perspective on the financial statements in an auditor's report. Misstatements can arise from fraud or error and are considered material if they, individually or collectively, could reasonably be expected to influence the decision making of the users of the financial statements.

In accordance with the auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Audit procedures are selected and applied at our discretion. We also obtain sufficient and appropriate audit evidence to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies and their application method used by management and the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is significant uncertainty in regard to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If there is significant uncertainty concerning the premise of a going concern, we are required to draw attention in our auditor's report to the related notes in the financial statements or, if such notes are inadequate, to issue a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and notes of the financial statements are in accordance with accounting principles generally accepted in Japan, and evaluate the overall presentation, structure, and content of the financial statements, including the relevant notes, and whether the financial statements fairly represent the transactions and events on which they are based.

We communicate with the corporate Auditors and the Board of Auditors regarding the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal control that we identify during our audit, and any other matters required by the auditing standards.

We also report to the corporate Auditors and the Board of Auditors that we have complied with the relevant ethical requirements in Japan regarding independence, and where applicable, the details of any safeguards in place to eliminate or mitigate matters and obstacles that may reasonably be thought to bear on our independence.

**Conflicts of Interest**

There are no conflicts of interest between the Company and the auditor or its engagement partners that should be described in accordance with the provisions of the Certified Public Accountants Act.

END

# Audit and Supervisory Board's Audit Report

## Board of Auditors' Audit Report

With respect to the performance of duties by Directors during the 8th fiscal year from January 1, 2020 to December 31, 2020, the Board of Auditors has examined the reports from each Auditor and prepared this Audit Report as follows:

### 1. Method and details of the audit by Auditors and the Board of Auditors

- (1) The Board of Auditors determined the auditing policy, the division of duties, and other relevant matters, received reports from the Auditors on the progress and the results of the audit, received reports from the Directors and the Accounting Auditor on the status of the performance of duties, and requested explanations when necessary.
- (2) In compliance with the rules for auditing by Auditors and in accordance with the auditing policies and the division of duties determined by the Board of Auditors, the Auditors communicated with Directors and employees of the internal auditing and other divisions, made efforts to collect information and establish the audit environment, and performed the audit using the following methods:
  - (i) The Auditors attended the meetings of the Board of Directors and other important meetings, received reports from Directors, employees, etc. on the performance of their duties, requested explanations when necessary, reviewed documents of important decisions, etc. and investigated the status of business operations and assets at the headquarters. Further, as to the subsidiaries, the Auditors communicated and exchanged information with their Directors and Auditors, and received their business reports when necessary.
  - (ii) The Auditors have received regular reports from Directors, employees, etc., requested explanations as necessary and expressed opinions on the details of resolutions made by the Board of Directors concerning the establishment of systems to ensure that the performance of duties by the Directors, which are described in the business report, are compliant with the laws and regulations of Japan and with the Company's Articles of Incorporation and other systems provided in Article 100, paragraphs (1) and (3) of the Regulation for Enforcement of the Companies Act to ensure that the operations of the corporate group consisting of the Company and its affiliated companies will be conducted appropriately, as well as the status of construction and operation of such systems established by such resolutions (internal control system).
  - (iii) The Auditors monitored and verified whether or not the Accounting Auditor maintained its independence and appropriately performed audits, received reports from the Accounting Auditor on the progress of its duties, and requested explanations when necessary. The Auditors also received notification from the Accounting Auditors that they have taken steps to establish the "System to Ensure Appropriate Execution of the Duties of the Accounting Auditors" (as enumerated in each item of Article 131 of the Regulation on Corporate Accounting) in compliance with the "Quality Control Standards Relating to Auditing" (October 28, 2005, Business Accounting Council), etc. When necessary, the Auditors requested explanations on such notifications.

Based on the methods described above, the Auditors examined the Business Report and supplementary schedules attached thereto, the financial statements (the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements) and supplementary schedules attached thereto, and the consolidated financial statements (the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements), for the fiscal year under review.

### 2. Audit results

- (1) Audit results of the Business Report, etc.
  - (i) The Board of Auditors finds that the Business Report and supplementary schedules attached thereto fairly present the situation of the Company in accordance with laws and regulations and the Articles of Incorporation.
  - (ii) The Board of Auditors acknowledges that there is no fraudulent act or fact of a material breach of applicable laws and regulations or the Articles of Incorporation with respect to the performance of duties by Directors.
  - (iii) The Board of Auditors finds the details of the resolution of the meeting of the Board of Directors concerning the internal control system to be adequate. In addition, the Board of Auditors acknowledges that there is no matter that needs to be indicated with respect to the contents of the Business Report concerning the internal control system and the performance of duties by Directors.

(2) Audit results of financial statements and supplementary schedules attached thereto

The Board of Auditors finds the method and results of the audit by the Accounting Auditor, KPMG AZSA LLC, to be adequate.

(3) Audit results of consolidated financial statements

The Board of Auditors finds the method and results of the audit by the Accounting Auditor, KPMG AZSA LLC, to be adequate.

February 16, 2021

Board of Auditors, BASE, Inc.

Fumio Utagawa, Full-time Auditor (Outside Auditor)

Misao Akutsu, Outside Auditor

Yohei Yamaguchi, Outside Auditor

END